

Calendar No. 1975

82D CONGRESS }
2d Session }

SENATE

{ REPORT
{ No. 2051

PROVIDING THE BASIS FOR AUTHORIZATION OF A STUDY AND REPORT OF IRRIGATION WORKS IN CONNECTION WITH CHIEF JOSEPH DAM, TO PROVIDE FOR FINANCIAL ASSISTANCE THERETO FROM POWER REVENUES

JULY 2 (legislative day, JUNE 27), 1952.—Ordered to be printed

Mr. O'MAHONEY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 2320]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 2320) to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes, having considered the same, report favorably thereon with an amendment in the nature of a substitute, and with the recommendation that the bill, as amended, do pass.

Amend the title so as to read:

A bill to provide for authorization of a study and report of irrigation works in connection with Chief Joseph Dam.

PURPOSE OF THE BILL

Hearings were held by the committee on the bill, S. 2320, during which several interested citizens from the area within the State of Washington appeared. It was related that the use of a portion of the power potential at Chief Joseph Dam project would provide low cost power for pumping to several irrigable land units in the valleys of Okanogan and Wenatchee Rivers, and in Moses Coulee. The total extent of these irrigable units was estimated to range between 25,000 and 60,000 acres. Some lands are irrigable from direct gravity diversion.

While no detailed data were available on the feasibility of the plans for irrigation, there were representations indicating that preliminary investigations had disclosed several areas susceptible of successful irrigation. Also, the project could be expanded to include supple-

mental irrigation supply to lands presently suffering from water shortage.

The purpose of the bill is to authorize the Secretary of the Interior to review the Chief Joseph Dam project, authorized by the act of July 24, 1946 (60 Stat. 637), and to report to the Congress upon the proposed irrigation works covering the financial and physical relationship to said project. Considering that a departure from customary procedure is contemplated, the bill makes specific requirements for the preparation of the report, which requirements are not in existing reclamation or flood-control acts. Chief Joseph Dam is authorized to be constructed and operated by the Secretary of the Army and the Chief of Engineers, and is now under construction.

The bill will permit the presentation of a complete report for power and for water uses for irrigation in coordination with the operation of Chief Joseph Dam project for commercial power production and its other authorized purposes. In making such report, it is understood by the committee that the provisions of the Flood Control Act of 1944 will be observed; this authorization does not waive those or similar provisions of law. The committee endorses the development of project plans through presently customary procedures of interagency river basin committees in order to assure comprehensive treatment of all factors necessary for the successful operation of projects generally.

Reports on the bill from the Bureau of the Budget, Department of the Interior, and the Department of the Army follow, and are made a part hereof.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., May 21, 1952.

Hon. JOSEPH C. O'MAHONEY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: In view of the fact that several questions have been raised as to the position of the Bureau of the Budget on the over-all policy issues involved in the enactment of S. 2320, a bill to provide the basis for authorization of irrigation work in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes, I am happy to present the following additional information.

The fundamental advantage of multiple-purpose river basin developments is that structures can be built to serve a number of purposes at less cost than if constructed individually and thereby permit all types of beneficiaries to share in the savings. Inevitably some purposes are more productive of revenues than others. If surplus electric power revenues are available above and beyond those required to amortize with interest the cost of the improvement properly allocated to power, this Bureau does not object to their use for aid of repayment of the cost of allocations made to irrigation. It is understood that such aid would not be available from the Corps of Engineers' Chief Joseph Dam project, Washington, during the 50-year repayment period on the basis of the present estimated total cost of \$206 million and the assumed power rates. It is apparent, however, that a small increase in power rates for commercial customers would provide some surplus revenues to aid in irrigation within the generally accepted 50-year repayment period.

Energy demands for irrigation pumping in this area are of such a nature that preferential low rates are entirely justified in the rate schedule of which they are part. We see no objection either to the establishment of such rates, or to the allocation of an appropriate share of the total energy output for pumping purposes. Since under section 5 of the 1944 Flood Control Act the Secretary of the Interior is responsible for the transmission and disposition of surplus power from Corps

of Engineers projects, it is assumed that these matters would be taken into consideration when the contracts for the marketing of such power are negotiated.

It is believed that the principles outlined above are consistent with basic reclamation law. We would, accordingly, have no objection to legislation establishing these general principles with respect to irrigation works connected with Corps of Engineers dams. There is a question, however, as to whether they should be treated piecemeal or included in the draft legislation covering basic national water resources policy which is now nearing completion with the expectation of early submission to Congress.

With respect to the irrigation works which would be authorized by S. 2320, the President does not have adequate information to evaluate the merits of these features and, therefore, is not in a position either to support or oppose their authorization. As you know, he has stated on a number of occasions that he does not feel it proper to take a position with respect to the authorization of any such water resource development improvements until a project report is prepared and submitted in accordance with the regular procedures set forth in existing law and regulations. Furthermore, as indicated in our letter to you of May 6, 1952, there appears to be nothing in existing law which would preclude the Secretary of the Interior from presenting for the consideration of the President and the Congress a project report outlining the proposed irrigation development as well as plans for repayment of the construction cost.

I trust this amplification of our letter of May 6 will clarify any question which may have been raised in the testimony or in the minds of the committee with respect to the relationship of the particular points raised in that letter to our position with respect to the broad policy questions involved.

Sincerely yours,

F. J. LAWTON, *Director.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., May 6, 1952.

HON. JOSEPH C. O'MAHONEY,
*Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington 25, D. C.*

MY DEAR MR. CHAIRMAN: Receipt is acknowledged of your letter dated October 23, 1951, requesting a report on S. 2320, a bill "to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes."

S. 2320 would authorize a basis for expanding the existing authorization for Chief Joseph Dam, Wash., so as to provide financial and other assistance for the reclamation of arid lands in the general vicinity of the project. The Secretary of the Army would continue to construct and would operate and maintain the dam and power plant. However, in constructing the dam, provision would be made for irrigation outlets of such capacity as agreed upon by the Secretaries of the Army and the Interior. Operation and maintenance arrangements would also be agreed upon by the two Secretaries to provide: (1) for the reservation of sufficient power and energy for irrigation pumping, such power to be made available at rates established by the Secretary of the Interior; (2) for the disposal under provisions of section 5 of the act of December 22, 1944, of the remainder of electric power and energy not required, in the opinion of the Secretary of the Army, for operation of the dam and power plant; and (3) for the release or diversion of water as required under the rights established for the various irrigation divisions of the project.

In determining power rates the Secretary of the Interior, as provided in the bill, could allocate to irrigation appropriate portions of the costs of the dam and power plant, and could apply project power revenues to the return of such costs and to other irrigation costs as are assigned for return from power revenues to the same extent that power revenues may be so applied under Federal reclamation laws.

The bill also provides that the Secretary of the Interior, subject to submission of a report and subsequent specific authorization by act of Congress, may construct, operate, and maintain, under provisions of the Federal reclamation laws as modified by the provisions of S. 2320, such works as he finds to be feasible for irrigation of lands in the basin of the Columbia River and its tributaries between Grand Coulee Dam and Moses Coulee, such works to be accounted for as divisions of the Chief Joseph Dam project. For the purposes of determining financial feasibility of such works and of providing for the return of reimbursable costs,

the Secretary of the Interior could assign from the project's power revenues whatever reimbursable costs allocated to irrigation are determined to be in excess of the amount that the water users may reasonably be expected to repay under Federal reclamation laws. Construction of irrigation works would not be undertaken until the Secretary of the Interior submits a report and finding of feasibility thereon under section 9 of the Reclamation Project Act of 1939 and Congress thereafter has specifically authorized such works.

The basic authority with respect to the proposals outlined in S. 2320, except for the application of power revenues to subsidize irrigation developments, is contained in section 8 of the Flood Control Act of 1944 (Public Law 534, 78th Cong.) which reads as follows:

"Hereafter, whenever the Secretary of War determines, upon recommendation by the Secretary of the Interior that any dam and reservoir project operated under the direction of the Secretary of War may be utilized for irrigation purposes, the Secretary of the Interior is authorized to construct, operate, and maintain, under the provisions of the Federal reclamation laws (act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof or supplementary thereto), such additional works in connection therewith as he may deem necessary for irrigation purposes. Such irrigation works may be undertaken only after a report and findings thereon have been made by the Secretary of the Interior as provided in said Federal reclamation laws and after subsequent specific authorization of the Congress by an authorization act; and, within the limits of the water users' repayment ability such report may be predicated on the allocation to irrigation of an appropriate portion of the cost of structures and facilities used for irrigation and other purposes. Dams and reservoirs operated under the direction of the Secretary of War may be utilized hereafter for irrigation purposes only in conformity with the provisions of this section, but the foregoing requirements shall not prejudice lawful uses now existing: *Provided*, That this section shall not apply to any dam or reservoir heretofore constructed in whole or in part by the Army engineers, which provides conservation storage of water for irrigation purposes."

The Department of the Interior advises that, while its irrigation investigations of the project are not complete, preliminary estimates indicate the probable maximum development in the area would include 34,500 acres of new land and 13,000 acres of land needing supplemental water supply. The principal potential irrigation developments are in the immediate vicinity of Chief Joseph Dam, including lands in the upper and lower reaches of the Okanogan Valley, along the main stem of the Columbia River in the vicinity of Wenatchee, and in the lower reaches of Moses Coulee. Specific authorizations are proposed to be recommended in stages, each division to comprise lands in geographically defined parts of the entire area. A preliminary estimate of construction costs of the irrigation works by the Department, based on 1952 prices, is about \$34,000,000. No reliable estimates have been made by the Department as to the amount that could be repaid by the water users.

The current estimate of cost of Chief Joseph Dam and power plant, on the basis of a 16-unit generating system is \$206,000,000, not including interest during construction. The Department of the Interior estimates that the amount of interest that could be earned on the power investment in Chief Joseph Dam, assuming the total cost is allocated to commercial power, would be about \$165,000,000 over a 50-year period, using a 2½-percent rate per annum, this being the rate heretofore used by the Bonneville Power Administration in its rate and payout determinations on other dams built by the Corps of Engineers. The Department admits to the controversy concerning the application of the interest component of power revenues to the retirement of irrigation costs assigned for return from power revenues and states that, while S. 2320 does not attempt to settle the issue, it is so framed that the interest component of Chief Joseph power revenues could be applied in the same manner and to the same extent that is permitted under the Federal reclamation laws.

The Department of the Interior states that "If so applied here, the interest component, as is indicated by the figures given above, will be greatly in excess of the costs expected to be assigned for return from power revenues. If the interest component is not so applied, the effect of the required assistance to irrigation on pay-out is of relatively small moment. At rate levels for power and energy expected to prevail on the Bonneville Power Administration system, the power investment could be expected to be returned in 50 years with interest at 2½ percent per annum from the time the power plant is completed and put into service, if past repayment practices should be continued. After pay-out of the power investment is accomplished, there could be available annually, after the payment

of operation, maintenance, and replacement costs, about \$7,662,000 if it is assumed that no change would be made in project returns to reflect the repayment of the power investment. Hence, even if the total amount of irrigation construction costs were assigned for repayment by power revenues and the interest component were not applied in the usual manner, it appears that these costs could be repaid by power revenues by extending the pay-out period about 4½ years."

The Department of the Army is of the opinion that the principal provisions of the bill could be accomplished under existing provisions in the 1944 Flood Control Act with the exception of providing financial assistance to irrigation from power revenues. With respect to that provision, the Department of the Army, in an agreement with the Department of the Interior concerning the Columbia River Basin, dated April 11, 1949, indicated its concurrence in this general principle in connection with projects in the Pacific Northwest. Accordingly, the Department of the Army, in general, has no objection to the objectives of the bill. It suggests, however, in view of the existing legislation, "that the only provision requiring additional legislation, that is, the one providing for financial assistance, be accomplished by simple amendment of the Chief Joseph project authorization to provide that, whenever Congress has authorized the construction of irrigation works as divisions of the Chief Joseph project, power revenues may be applied to the return of reimbursable irrigation costs found to be beyond the reasonable ability of the water users to repay to the extent that such revenues are available over and above all costs properly chargeable to power, including interest on power investment."

In commenting on section 2 (c) of the bill, the Secretary of the Army states that "allocation by the Secretary of the Interior to irrigation of appropriate portions of the costs of the dam and power plant would conflict with and partially duplicate responsibilities of the Department of the Army. The Department of the Army's responsibility for the project investigations and reports to Congress and for construction, operation, and maintenance includes the responsibility for making the necessary allocations of cost to all project purposes, including irrigation. Such duplication of responsibilities is unsound; and the proposed authority for allocation by the Secretary of the Interior should be eliminated."

The Department of the Army accordingly suggests, as an alternative if S. 2320 should receive favorable consideration, that "section 2 (c) should be modified to provide that the Department of the Army in connection with the over-all allocation of costs shall allocate appropriate portions of the costs of the dam and power plant to irrigation, after consultation with the Department of the Interior. Further, it should be made clear both in section 2 (c) and section 3 (a) that the revenues to be applied to the return of irrigation costs shall only be such as are available above all costs chargeable to power, interest on the power investment to be specifically included in such charges to power. The Department considers it inadvisable that there be any implication in the bill that interest on the power investment may be applied to the return of irrigation costs. It is suggested also that the rates for power for irrigation pumping should be subject to approval by the Federal Power Commission along with rates for other power users as provided in section 5 of the 1944 Flood Control Act."

Two fundamental considerations are involved in S. 2320: (1) policy with respect to subsidizing irrigation developments, and (2) policy of authorizing irrigation works prior to investigation and preparation of an engineering and economic analysis, even though of a conditional nature.

With respect to the possibility of application of the interest component on the power investment to subsidize irrigation costs as discussed above, our letter of July 17, 1950, to the Secretary of the Interior on the Palisades project states that:

"The repayment plan proposed in the report contemplates the use of the entire amount of the interest component of the commercial power revenues for aiding repayment of irrigation costs. The President has neither approved nor disapproved such action from the standpoint of national policy. Furthermore, while it is recognized that the Solicitor of the Department of the Interior has issued an opinion that the interest component on the power investment could be so applied, the President has not indicated agreement that the present law should be so interpreted. He is reserving judgment on the issue pending the report of the Water Resources Policy Commission. We cannot, therefore, at this time state whether such procedure would be in accord with the President's program.

"It is noted in your reply to the comments of the Federal Power Commission on the Palisades report that you include a memorandum entitled 'The Interest Component Feature of the Comprehensive Plan for the Columbia River Basin' which was presented in justification of the Columbia Basin account. This state-

ment conveys the impression that the President's approval of the establishment of the Columbia Basin account as an accounting tool to record repayments of the capital investment includes approval of the basin-wide use of the interest component to assist in repaying irrigation construction costs of any project covered by the plan. This, of course, would be an erroneous interpretation of the President's position as outlined above. Regardless of the question of the use of the interest component, however, any proposal to include the Palisades project in a Columbia Basin account would be premature since such an account has not been authorized."

The extent and manner in which irrigation subsidies are to be provided is obviously a matter that requires resolution. Whether this is to be done through the use of the interest component or some other means is a subject now being considered by the Bureau of the Budget in connection with its review of the recommendations of the President's Water Resources Policy Commission and the drafting of basic water resources policy legislation. Until such time as these matters are considered and resolved the President's position remains unchanged, that he has neither approved nor disapproved such action from the standpoint of national policy.

The second consideration, that is, establishing a basis for authorizing a project prior to submission of a project report involves a departure from procedures established by congressional statute and under Executive Order 9384, dated October 4, 1943, heretofore adhered to in the authorizing of a project. In accordance with such procedures, it would be inadvisable, in the case of Chief Joseph, to make any authorization commitments with respect to the proposed irrigation developments prior to consideration of a project report giving the nature and scope of the irrigation works; an analysis of the capability and proposed use of potential water resources; a comparison of the benefits and costs; an estimate of allocation of capital costs; a study of the output, rates, and revenues of power at Chief Joseph Dam; and a complete project financial statement.

Thus, existing legislation would appear to provide an adequate basis for submission to the Congress of a project report covering all phases of the proposed improvements including what is proposed in the way of applying power revenues for subsidizing the irrigation works. Any action toward authorization of the project without sufficient knowledge of the plans for the irrigation facilities or any opportunity whatsoever to appraise or evaluate the merits of the proposed development and financial structure would be premature and unfounded. Additional legislation required to carry out irrigation developments should be considered only after a project report has been submitted and action has been taken with respect to the proposed irrigation works.

Accordingly, we would not recommend enactment of S. 2320 at this time.

Sincerely yours,

F. J. LAWTON, *Director.*

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington 25, D. C., July 1, 1952.

Hon. JOSEPH C. O'MAHONEY,
*Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington 25, D. C.*

MY DEAR SENATOR O'MAHONEY: You have asked for a statement of the views of this Department with respect to a bill, S. 2320, introduced by Senator Magnuson to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes.

I recommend enactment of the bill.

By way of background to this recommendation, it will be useful to recall that, at the time of its authorization in 1946, local sponsors of Chief Joseph Dam, then known as Foster Creek Dam, were profoundly impressed with its importance to irrigation development in the area. This Department was concerned at that time lest the pending authorization of the project would be such as to preclude later use of the works in connection with potential irrigation developments in its vicinity and application of power revenues from the development to assist in the financing of such developments. It then appeared to us that these objectives could best be served by having the project authorized for construction by this Department. In so recommending, we said in a letter to the Chief of Engineers dated March 4, 1946 (H. Doc. 693, 79th Cong., p. xi):

"It is essential, in order to safeguard the development of the Northwest, that the Foster Creek project be not excluded from the financial plan for the development of the entire area. If it were to be set up separately, without financial relationship to the irrigation developments, the benefits of financial assistance to irrigated agriculture would be denied. It is essential that this project be considered as one unit in a complete plan which would integrate irrigation and power and would give due consideration to power rates within the basin as a whole."

The objective of providing all possible assistance to sound irrigation developments in the vicinity of Chief Joseph Dam is still a desirable one and, although the recommendations of this Department were not followed when the project was authorized in 1946, it is still possible to attain these objectives by supplementing existing legislation dealing with that project. Enactment of S. 2320 will serve these purposes and will do so without change in the present responsibilities given by law to the Secretary of the Army and Chief of Engineers with respect to the construction, operation, and maintenance of Chief Joseph Dam and power plant.

Section 3 of the bill would, subject to the conditions set out in the next paragraph of this letter, authorize the Secretary of the Interior to construct, operate, and maintain under the Federal reclamation laws, but as divisions of the Chief Joseph Dam project, works which are found to be feasible for the irrigation of lands in the basin of the Columbia River and its tributaries between Grand Coulee Dam and Moses Coulee, all in the north central part of Washington. The principal potential developments are lands in the immediate vicinity of Chief Joseph Dam, including lands in the lower reaches of the Okanogan Valley, lands in the upper reaches of that valley, lands along the main stem of the Columbia River in the vicinity of Wenatchee, and lands in the lower reaches of Moses Coulee. The potential developments mentioned include both new lands and lands requiring supplemental water for irrigation. Many of the developments will be found economically feasible only through the providing of pumping facilities and pumping power at favorable rates.

Whatever works are proposed to be built under this bill could, I understand, be undertaken only after they had been reported on in accordance with the provisions of section 9 of the Reclamation Project Act of 1939, with specific showings as to the costs and benefits of the proposed works, and only after the works so reported on had been authorized specifically by act of Congress. Such works when authorized would be treated as divisions of the Chief Joseph Dam project and, for purposes of determining the financial feasibility of works and providing for the return of reimbursable costs, there could be assigned for return from project power revenues such reimbursable construction costs of the proposed works as are found to be in excess of the amounts that the water users can reasonably be expected to repay under the provisions of the Federal reclamation laws. In addition, the Secretary, in whom the responsibility for the marketing of power from Chief Joseph Dam has already been vested by law, would have the authority to reserve sufficient power and energy for the pumping of water for the irrigation of lands to be served from works authorized under section 3 of the bill. In connection with such a reservation he would have authority to establish special rates for that kind of service. This latter provision is an especially important one, since the factor of pumping power rates will likely prove to be controlling in determining the feasibility of several of the areas that might be included in divisions of the project under section 3 of the bill.

The provisions of section 5 of the act of December 22, 1944 (58 Stat. 887, 890 16 U. S. C., 1946 ed., sec. 825s), as modified by the provisions of section 2 of the bill, would govern the establishment of rates for power to be available from Chief Joseph Dam power plant and, under the provisions of the latter section, the Secretary would be authorized to apply power revenues to irrigation costs assigned for return from power revenues to the same extent that such revenues may be so applied under the Federal reclamation laws.

At the present time the Bureau of Reclamation is carrying on an investigational program in the area defined in section 3 of the bill. While those investigations are not complete, some preliminary estimates are available as to the acreage of new lands and lands needing supplemental water that may be found feasible of development in accordance with the procedure proposed by the bill. What is now regarded as the probable maximum development in that area includes about 34,500 acres of new land and 13,000 acres of land needing supplemental water supply. Present indications are that the authorizations will be recommended in stages, each division to comprise lands in geographically defined parts of the entire area.

Preliminary cost estimates based on 1952 price levels indicate that the construction costs of irrigation works for this total development would amount to about

\$34,000,000. At the present time no reliable estimates have been made of the part of this amount that could be repaid by the water users, but it is believed that it would be substantial. The current estimate of the cost of Chief Joseph Dam and power plant, on the basis of a 16-unit generating system, is \$206,000,000, not including interest during construction.

The total amount of interest to be earned on the power investment in Chief Joseph Dam, assuming for the moment that the total is allocated to commercial power would be about \$165,000,000 over a 50-year period. For this calculation the rate of 2½ percent per annum has been used, this being the rate heretofore used by the Bonneville Power Administration in its rate and pay-out determinations on other dams built by the Corps of Engineers. I am much aware of the current controversy concerning the application of the interest component of power revenues to the retirement of irrigation costs assigned for return from power revenues. This bill, as I understand it, does not attempt to settle this issue, but it is so framed that the interest component of Chief Joseph power revenues could be applied in the same manner and to the same extent that is permitted under the Federal reclamation laws. If so applied here, the interest component, as is indicated by the figures given above, will be greatly in excess of the costs expected to be assigned for return from power revenues. If the interest component is not so applied, the effect of the required assistance to irrigation on pay-out is of relatively small moment.

At rate levels for power and energy expected to prevail on the Bonneville Power Administration system, the power investment could be expected to be returned in 50 years with interest at 2½ percent per annum from the time the power plant is completed and put into service, if past repayment practices should be continued. After pay-out of the power investment is accomplished, there could be available annually, after the payment of operation, maintenance, and replacement costs, about \$7,662,000 if it is assumed that no change would be made in project returns to reflect the repayment of the power investment. Hence, even if the total amount of irrigation construction costs were assigned for repayment by power revenues and the interest component were not applied in the usual manner, it appears that these costs could be repaid by power revenues by extending the pay-out period about 4½ years.

There are now pending before your committee two bills, S. 2318 and S. 2319, to authorize the establishment of a Columbia Basin account. We have heretofore reported favorably to your committee on similar bills. The enactment of S. 2320 would not be inconsistent with enactment of one or the other of these bills.

The Bureau of the Budget has advised that while there would be no objection to the submission of whatever report I deem appropriate under the circumstances, the position of the Bureau of the Budget on S. 2320 is set forth in its letter to the committee dated May 6, 1952.

Sincerely yours,

OSCAR L. CHAPMAN,
Secretary of the Interior.

DEPARTMENT OF THE ARMY,
Washington, D. C., May 12, 1952.

Hon. JOSEPH C. O'MAHONEY,
Chairman, Committee on Interior and Insular Affairs, United States Senate.

DEAR SENATOR O'MAHONEY: Reference is made to your request for the views of the Department of the Army with respect to S. 2320, Eighty-second Congress, a bill to provide the basis for utilization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes.

The Department of the Army has considered the above-mentioned bill. The purpose of the bill is to expand the authorization for Chief Joseph Dam in the State of Washington to include the reclamation of arid lands in the general vicinity of the project and to provide for financial assistance in such reclamation. The bill provides for the provision to be made in the construction of the dam for irrigation outlets of such capacity as may be agreed upon between the Secretaries of the Interior and the Army, the dam to be operated to provide for release of water for irrigation and for reservation of power for pumping of water for irrigation. The Secretary of the Interior would be authorized to allocate to irrigation appropriate portions of project costs and to apply power revenues to the return of such costs and to other irrigation costs to the extent permissible under Federal reclamation laws.

mation laws. The bill also would authorize the Secretary of the Interior to construct irrigation works between Grand Coulee Dam and Moses Coulee, as divisions of the Chief Joseph project, subject to subsequent specific congressional authorization.

The Department is of the opinion that the principal provisions of the bill can be accomplished under existing law, with the exception of the provision for financial assistance to irrigation from power revenues. The existing legislation of particular applicability is section 8 of the 1944 Flood Control Act (58 Stat. 887), which provides in part that whenever the Secretary of the Army determines, upon recommendation by the Secretary of the Interior that any dam and reservoir project operated under the direction of the Secretary of the Army may be utilized for irrigation purposes, the Secretary of the Interior is authorized to construct such works as he may deem necessary for irrigation purposes, subject to subsequent authorization by Congress. With respect to the provision for financial assistance to irrigation from power revenues, this Department in an agreement with the Department of the Interior concerning the Columbia River Basin, dated April 11, 1949, indicated its concurrence in this general principle in connection with projects in the Pacific Northwest. Accordingly, the Department has, in general, no objection to the objectives of the bill. However, in view of the existing authority, it is suggested that the only provision requiring additional legislation, that is, the one providing for financial assistance, be accomplished by simple amendment of the Chief Joseph project authorization to provide that, whenever Congress has authorized the construction of irrigation works as divisions of the Chief Joseph project, power revenues may be applied to the return of reimbursable irrigation costs found to be beyond the reasonable ability of the water users to repay to the extent that such revenues are available over and above all cost properly chargeable to power, including interest on power investment.

The provisions of section 2 (c) pertaining to allocation by the Secretary of the Interior to irrigation of appropriate portions of the costs of the dam and power plant would conflict with and partially duplicate responsibilities of the Department of the Army. The Department of the Army's responsibility for the project investigations and reports to Congress and for construction, operation, and maintenance includes the responsibility for making the necessary allocations of cost to all project purposes, including irrigation. Such duplication of responsibilities is unsound; and the proposed authority for allocation by the Secretary of the Interior should be eliminated.

On the other hand, if your committee should favorably consider enacting all the provisions of S. 2320, section 2 (c) should be modified to provide that the Department of the Army in connection with the over-all allocation of costs shall allocate appropriate portions of the costs of the dam and power plant to irrigation, after consultation with the Department of the Interior. Further, it should be made clear both in section 2 (c) and section 3 (a) that the revenues to be applied to the return of irrigation costs shall only be such as are available above all costs chargeable to power, interest on the power investment to be specifically included in such charges to power. The Department considers it inadvisable that there be any implication in the bill that interest on the power investment may be applied to the return of irrigation costs. It is suggested also that the rates for power for irrigation pumping should be subject to approval by the Federal Power Commission along with rates for other power users as provided in section 5 of the 1944 Flood Control Act.

This report has been coordinated among the departments and boards of the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that there is no objection to the submission of this report, but the Department of the Army understands that the Bureau, as stated in its letter to you, dated May 6, 1952, does not recommend enactment of S. 2320 at this time.

Sincerely yours,

FRANK PACE, Jr.,
Secretary of the Army.



